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UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Extension Service
Washington 25, D. C.

NEW INCENTIVE PROGRAM FOR WOOL 1/

A long forward stride was taken on behalf of the sheep industry this summer when the National Wool Act of 1954 was passed by the Congress and signed into law by President Dwight D. Eisenhower. The act provides for incentive payments to producers to encourage an annual production of 300 million pounds of shorn wool. The act states that this production goal is the policy of the Congress as a measure of national security and in promotion of the general economic welfare.

Incentive Price for Shorn Wool

Secretary of Agriculture Ezra Taft Benson early in October announced that the incentive price for the 1955 clip will be 62 cents per pound of shorn wool, grease basis. This is considerably above the support price under the 1954 National Wool Loan Program and better reflects the prices paid and other cost conditions affecting sheep production. The 1955 incentive price gives wool producers hope for a better economic future.

Method of Determining Payments

Payments will be made to wool growers to bring the national average price received by all producers for wool marketed during the year up to the announced incentive price of 62 cents.

Payments will be based on the percentage needed to bring the national average price received by producers up to the incentive price of 62 cents a pound. For example, if the average price received by all producers turns out to be 54 cents, an average payment of 8 cents, or 15 percent, will be made to bring the 54-cent average up to the 62-cent incentive price.

Example of Producer's Wool Incentive Payment

In this case, a producer who netted \$500 for 1,000 pounds of shorn wool sold would receive an incentive payment of 15 percent of the \$500 or \$75.

Program To Encourage Better Marketing

Payments to producers will be a percentage of each producer's net cash return from wool sales rather than a flat cents-per-pound rate. This means that each producer should try to get the best possible price for his wool in the market, because the size of the payment will depend on the net amount obtained in selling wool. This will encourage production of high quality wool marketed in the way that will best meet market demand.

1/ Prepared for the Livestock, Dairy, and Poultry Marketing Branch, Division of Agricultural Economics Programs, Federal Extension Service by the Livestock and dairy Division, Commodity Stabilization Service.

Wool Eligible for 1955 Program

The 1955 program will apply to wool shorn beginning January 1, 1955, and marketed during the year beginning April 1, 1955, and ending on March 31, 1956. The producer will be required to certify to such statements as the following:

- (a) That he is a producer;
- (b) That the information shown in his request for incentive payment and the attached account of sale is true and complete to the best of his knowledge, information, and belief;
- (c) That at the time of shearing he owned and had owned for a specified period the sheep and lambs from which the wool was shorn;
- (d) That the wool was not shorn from lambs or yearlings for which payment had been or would be requested under the pulled-wool support program;
- (e) That the wool was shorn in the continental United States or its Territories;
- (f) That title and beneficial interest in such wool had always been vested in him from the time the wool was shorn up to the time of sale;
- (g) That the wool was shorn on or after January 1, 1955.

Where Producers Will Apply for Incentive Payments

Application for payment should be filed with the local Agricultural Stabilization and Conservation office serving the county in which the headquarters of the ranch or farm is located. Two copies of the account of sale covering shorn wool sold during the marketing year are required for submission along with the application. Applications for payment may be made by individual producers, or arrangements may be made whereby cooperative associations, pools, or dealers may make applications for their producer members or customers. The payments will be made directly to the grower by sight draft.

Requests for Payment Should Be Filed Promptly

Since the average price received by farmers for wool will be used to determine the rate of payments, if any, and since the Agricultural Marketing Service uses the requests for payment in estimating the average price received, prompt filing of requests for payment by producers will expedite the making of payments for wool marketed during the 1955 marketing season. The application for payment should be filed with the local ASC office as soon as possible after the wool is sold, but in no event later than 30 days after March 31, 1956, the close of the 1955 marketing year.

Warning to Producers: Accounts of sale for shorn wool, mohair, sheep, and lambs will furnish information vital for determining payments under the wool incentive program and the mohair and pulled-wool support operations. Producers are warned to safeguard these accounts of sale because payment under the program will depend on the information on them.

When Payments Will Be Made

The payments will be made after the 1955 marketing year is over and the national average price received for all wool sold during the year is determined. The differences between this average price and the incentive price will then be figured, and the percentage rate to be applied to each producer's net sales proceeds will be announced. Thus, the rate of payments for the 1955 marketing year will be announced in the summer of 1956 and payments made at that time.

Assignment of Payments

Provision will be made whereby the payments may be assigned under appropriate conditions to finance sheep, wool, and mohair production operations.

Support for Pulled Wool

Support for pulled wool will be provided by payments on sheep and lambs sold during the 1955 marketing season. The rate of payment will be established so as to reflect approximately the incentive payment that would have been made to the producer had he sheared the lambs and received the incentive payment for the wool. This operation is designed to maintain normal marketing practices and to discourage an unusual amount of shearing before marketing sheep and lambs. Whether the payments are to be made on the marketing of lambs by the original producer or on their sale for slaughter will be indicated in the detailed operating instructions.

Mohair

The National Wool Act of 1954 provides for the support of mohair prices. The mohair support price announced at 70 cents for the 1955 marketing year is 9 percent above the support level for 1954. If the average price received by producers for mohair falls below this level, payments will be made to producers in an operation the same as for shorn wool. Mohair to be eligible under the program must be sheared on or after January 1, 1955, and marketed during the year beginning April 1, 1955, and ending on March 31, 1956.

New Program Financed by Wool Tariff

As is fitting, funds for making incentive payments, if needed, will come from 70 percent of the tariff revenue on the wool imported into the United States. The incentive price set for 1955 is in line with the provisions of the act relating to funds available for making wool price incentive payments. The use of a portion of the yearly tariff receipts for wool means that year-to-year financing of the program is assured. The incentive price of 62 cents is set at a level estimated to be self-supporting from 70 percent of current collection of duties.

Advantages of the New Program

- (a) Recognizes wool as a basic, essential, and strategic commodity.
- (b) Does not price United States wool out of the domestic market.
- (c) Allows United States wool to move freely into the domestic market in competition with foreign wool instead of going to Government inventory.
- (d) Eliminates costly Government handling and storage of wool.
- (e) Gives producers positive price assurance through payment.
- (f) Encourages better marketing through method of payment.
- (g) Ties to tariff on foreign wool but does not have adverse effect upon foreign trade.
- (h) Stabilizes wool and sheep industry without increasing consumer prices for woolen goods.

Promotion of Industry's Products

Under the self-help feature of the National Wool Act of 1954, marketing cooperatives, trade associations or others engaged, or whose members are engaged in the handling of wool, mohair, sheep or goats, or their products may enter into agreements with the Secretary of Agriculture or approved by him for the purpose of developing and conducting advertising and sales promotion programs. Such agreements must be approved by two-thirds of the number of producers or the producers of two-thirds of the volume of production before they can become effective. Funds for financing the programs may be obtained by deductions from the incentive payments to growers.

Some Questions and Answers on Incentive Payment Program

1. Question: How do I as a shorn wool producer obtain the incentive payment?

Answer: You should make application for payment with the local Agricultural Stabilization and Conservation office serving the county in which the headquarters of your ranch or farm is located. Two copies of the account of sale covering shorn wool you sold during the marketing year are required for submission along with your application. You will also need to make certain certification as to the ownership of the sheep and lambs from which the wool was shorn and that the wool was shorn on or after January 1, 1955. Your application for payment should be filed with the local ASC office as soon as possible after you sell your wool, but in no event later than 30 days after March 31, 1956, the close of the 1956 marketing year.

2. Question: When will I know the rate of payments that will be made?

Answer: Not until the 1955 marketing year is over and the national average price received for all wool sold during the year is determined. The difference between this average price and the incentive price will then be figured and the percentage rate to be applied to each producer's net sales proceeds will be announced. Thus, the rate of payments for the 1955 marketing year will be announced in the summer of 1956 and payments made at that time.

3. Question: Is there any way that I can determine in advance the probable rate of payment?

Answer: Yes, by following the average price received by producers for wool as reported by the United States Department of Agriculture near the end of each month. For example, the reported average price on September 15 was around 53 cents. If that level of prices should continue throughout the 1955 marketing year, the incentive payment for the year would be the difference between the 53 cents and the incentive price of 62 cents. This difference of 8 cents would result in an incentive payment of 17 percent. If the average farm price increases or decreases, during the year, of course, the payments will be less or more, as the case may be.

4. Question: I shear early and sell my wool in February or March--will I come under the program announced for 1955?

Answer: The wool that you sell in February or March 1955 and receive full settlement for before April 1 will not be eligible for payment. However, if you follow the same practice next year, the wool that you sell in February or March of 1956 and receive settlement for before April 1, 1956, would be eligible for payment under the 1955 marketing year program.

5. Question: I normally contract my wool before April 1, how will this transaction fit into the 1955 program?

Answer: If final settlement for the wool is not made until after April 1, the wool will be eligible for incentive payment even though you contracted the sale of it before the beginning of the 1955 marketing year.

6. Question: If I do not sell all my clip within the 1955 marketing year, will the unsold part be eligible for payment in later years' programs?

Answer: Yes, the date of final settlement will determine the marketing year in which the sale will be eligible for payment. Thus, if all or part of your wool is carried over and sold during the 1956 marketing year, it will be eligible for payment based upon the rates of payment announced for that year.

7. Question: Can the payment be made through my cooperative association, pool, or dealer?

Answer: No, the payments will be made directly to the grower by sight draft. The cooperative association, pool, or dealer may assist you in preparing and filing your application for payment.

8. Question: Why should I obtain the best possible price for my wool?
Won't the Government make up the difference between the price I receive and the 62-cent incentive price?

Answer: The incentive payment will be based upon the difference between the national average price received by all producers and the incentive price, not the difference between your particular price and the incentive price. The same percentage rate of payment will be applied to each producer's sales proceeds. Therefore, it is to your advantage to obtain the best price possible, for the higher the price you obtain, the higher the payment.

9. Question: Can the payments be assigned?

Answer: Yes, provision will be made whereby the payment may be assigned under appropriate conditions to finance production operations.

10. Question: Will I receive the same incentive payment if I sell my wool at a local market as I would receive if I shipped it to a major market such as Boston?

Answer: Yes. The percentage rate will be applied to the net amount received; that is, after deduction of such charges as cost of transportation from local shipping point, cost of handling, grading, and similar marketing charges.

November 26, 1954



